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New Zealand

Fresh Deciduous Fruit

Annual

2002

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Report Highlights: New Zealand's export apple production in 2001/2002 is forecast to recover 14 percent to 16 million cartons or 288,000 MT. There will be competition between ENZA, which may export 11-12 million cartons, and other exporters which may export around 4-5 million cartons. In October of 2001, the apple and pear industry was deregulated, which removed export permit requirements. Grower confidence is up and relatively high payouts to growers are expected to continue in 2001/02. Pear production and exports in 2001/02 are also expected to increase due to generally more favorable growing conditions.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Wellington [NZ1], NZ

SECTION I. SITUATION & OUTLOOK

New Zealand's 2001/02 export apple crop is tentatively forecast to be 16 million TCE's (Tray Carton Equivalents, equal to 18kg), or 288,000 MT. This forecast is a 14- percent increase on the 2000/01 season's export crop of 14 million TCE's or 252,000 MT, and is based on more favorable weather to date than last season. Approximately 500 hectares of apple trees were ripped out of the ground in the winter of 2000, mainly because they were poor producing and old trees. These were predominantly in the Hawkes Bay region, the largest apple growing region in New Zealand.

Grower confidence is high in NZ with strong export demand for NZ product, particularly in Britain and continental Europe. Confidence has also been helped by good rains throughout much of NZ over the spring of 2001 (September/October). It has fallen at the right times and was coupled with a general absence of frost. However, there have been concerns that strong rains during most of December combined with high humidity may damage crops if these conditions persist.

Variety weighted ENZA export returns for the 2000/01 season are estimated to be a record NZ \$19.74 per carton (US \$8.29) up NZ \$3.40 per carton. This was a 21-percent increase in ENZA's expected end-of-season payout to pipfruit growers. In total, NZ \$237 million (US \$99.5 million) is to be paid to growers. ENZA said strong market demand and a decision to continually promote fruit into key markets was behind the higher returns. The forecast for the 2001/02 season is NZ \$19.20 per carton (US \$8.06 per carton).

New Zealand Pipfruit entered a new era on October 1, 2001, when after more than 50 years of single desk marketing, the industry became deregulated. After decades of rigid controls, apple and pear growers are free to sell their own fruit, and former monopoly exporter, ENZA, will have to compete with 30-40 other serious marketers. The deregulation was primarily due to pressure from growers who were concerned that ENZA (with a 40 percent corporate interest) would seek to load its recent foreign exchange losses (estimated US \$24 million) on to them. The Ministry of Agriculture and Forestry (MAF) had also done studies looking at the advantages/disadvantages of deregulation versus maintaining the single desk export system. ENZA had also initiated two court actions against the former export regime which the NZ Government felt had the potential to disrupt marketing programs. For the past two seasons independent exporters have had to get permission to bypass ENZA from an independent export permits committee, based on a determination that their exports complemented and did not compete with ENZA. From October 1, 2001, export permits are no longer required. For the 2001/02 season it is estimated that ENZA will export around 11-12 million TCE's or 198,000-216,000 MT.

SECTION II. STATISTICAL TABLES

PS&D TABLES - APPLES

PSD Table						
Country	New Zealand					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	12100	12100	13591	13500	0	13000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	537705	513705	484905	376000	0	429000
Non-Comm. Production	40000	40000	40000	29000	0	33000
TOTAL Production	577705	553705	524905	405000	0	462000
TOTAL Imports	95	95	95	23	0	80
TOTAL SUPPLY	577800	553800	525000	405023	0	462080
Domestic Fresh Consump	70000	70000	70000	60000	0	54000
Exports, Fresh Only	357000	333000	315000	252000	0	288000
For Processing	150800	150800	140000	93023	0	120080
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	577800	553800	525000	405023	0	462080

PS&D TABLE - PEARS

PSD Table						
Country	New Zealand					
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	995	995	995	995	0	995
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	26045	26045	19386	18856	0	19400
Non-Comm. Production	6510	6510	4400	4400	0	4400
TOTAL Production	32555	32555	23786	23256	0	23800
TOTAL Imports	1400	1400	1400	1400	0	1400
TOTAL SUPPLY	33955	33955	25186	24656	0	25200
Domestic Fresh Consump	18019	20905	12106	15606	0	15150
Exports, Fresh Only	11386	6500	8530	4500	0	5500
For Processing	4550	6550	4550	4550	0	4550
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	33955	33955	25186	24656	0	25200

PS&D TABLE - CONCENTRATED APPLE JUICE

PSD Table						
Country	New Zealand					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Deliv. To Processors	150800	150800	140000	93023	0	120080
Beginning Stocks	0	0	0	0	0	0
Production	19947	19947	18200	12000	0	15600
Imports	400	400	0	500	0	400
TOTAL SUPPLY	20347	20347	18200	12500	0	16000
Exports	11537	11537	14000	9000	0	11500
Domestic Consumption	8810	8810	4200	3500	0	4500
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	20347	20347	18200	12500	0	16000

TRADE MATRIX - APPLE EXPORTS

New Zealand Apple Exports				
(Calendar Years, metric tons)				
Destination	1998	1999	2000	2001 *YTD
Other EC	1,087	8,108	4,558	8,262
United Kingdom	39,178	80,364	66,584	66,801
United States	49,390	64,586	61,784	49,593
Hong Kong	14,648	12,408	17,355	12,075
Singapore	11,595	10,555	8,799	6,252
Malaysia	2,432	4,994	8,656	7,183
Philippines	2,692	2,332	1,877	680
Germany	8,998	3,495	4,134	16,766
Thailand	955	1,745	2,703	2,613
Sweden	3,253	3,500	2,485	61
Spain	792	1,291	613	703
Taiwan	8,052	7,826	6,799	5,660
Russia	6,175	107	136	2,563
Vietnam	2,049	870	592	493
French Polynesia	638	650	355	43
Saudi Arabia	758	737	1,246	1,263
Other	101,211	121,955	96,923	79,988
TOTAL	253,903	325,523	285,599	260,999
* Year to Date (Jan-Sept)				
Source: Statistics New Zealand				

TRADE MATRIX - PEAR EXPORTS

New Zealand Pear Exports				
(Calendar Years, metric tons)				
Destination	1998	1999	2000	2001 *YTD
United States	3,718	2,619	4,146	2,081
United Kingdom	1,322	1,485	1,368	1,040
Other EU	147	94	114	42
French Polynesia	106	80	12	11
Fiji	2	20	3	6
Malaysia			38	
Russia	613			
Canada		1		
Other	808	1,555	1,137	380
TOTAL	6,716	5,854	6,818	3,560
* Year to date (Jan-Sept)				
Source: Statistics New Zealand				

SECTION III. SUPPLY, POLICY & MARKETING

Production - Apples

New Zealand's 2001/02 export apple crop is forecast to be 16 million TCE's (Tray Carton Equivalents, equal to 18kg), or 288,000 MT. This forecast is 14 percent up on the 2000/01 export crop of 14 million TCE's or 252,000 MT. The increase in forecast export production is a combination of good seasonal weather conditions and improved returns to growers. Approximately 500 hectares of apple trees were ripped out of the ground over the winter of 2001, these were mostly unproductive and old trees. These were predominantly in the Hawkes Bay region, the largest apple growing region in New Zealand. Deregulation of the apple industry in October of 2001 means ENZA is in competition with many individual exporters. For the 2001/02 season, it is estimated that ENZA will take around 11-12 million TCE's or 198,000-216,000 MT of the 16 million TCE's of export crop available, with the rest of the crop handled by smaller exporters.

Variety weighted ENZA export returns for the 2000/01 season are estimated to be NZ \$19.74 per carton (US \$8.29), up NZ \$3.40 per carton. This was a 21-percent increase in ENZA's expected end of season payout to pipfruit growers. In total, NZ \$237 million (US \$99.5 million) is to be paid to growers. ENZA said strong market demand and a decision to continually promote fruit into key markets was behind the higher returns. The forecast for the 2001/02 season is NZ \$19.20 per carton (US \$8.06 per carton), which although slightly lower than last season, is still a relatively high level of return to growers. Growers are cautiously optimistic for 2002 as they believe volumes are to be lower in the U.S., Chile, and Australia, with a larger crop in New Zealand.

Grower confidence is high in New Zealand with strong export demand for NZ product, particularly in Britain and continental Europe. Confidence has also been helped by good rains throughout much of NZ over the spring of 2001 (September/October). Rain has fallen at the right times and was coupled with a general absence of frost. However, there have been concerns that strong rains during most of December combined with high humidity may damage crops if these conditions should persist.

In relation to variety, some growers are continuing to replace older varieties such as Granny Smith, Golden Delicious, and Red Delicious, with newer, higher-returning varieties. Projecting out to 2003/04, the Ministry of Agriculture and Forestry (MAF) believes growers can expect average returns, especially from new varieties such as Pacific Rose. Recently developed varieties, including Royal Gala, Fuji, Braeburn, Pacific Rose and Southern Snap, made up more than 80 percent of the volume of exports in the 1999/00 season. According to MAF the rising production levels of these newer varieties will become increasingly difficult to sell in the already competitive international apple market. Production of varieties previously unique to New Zealand, such as Royal Gala, Braeburn and Fuji, is rising rapidly in other Southern Hemisphere countries. These apples will compete directly with New Zealand apples in all the major export markets and may place downward pressure on prices.

The Pipfruit Growers of New Zealand oversees an integrated fruit management (IFM) program for

growers. Sprays used on the apples are audited by an independent company.

Production - Concentrated Apple Juice

Volumes of processed fruit for the 2001/02 seasons are forecast to be up on last season's low volume. For the coming season, about 120,000 MT of lower grade apples is forecast to be directed to the processing markets.

Production - Pears

The total pear harvest for the 2001/02 season is forecast to be 23,800 MT, a slight increase on the previous year's production. Pear exports for 2001/02 are estimated to be 5,500 MT, slightly up on the previous year.

Policy

Deregulation for the NZ Apple Industry

The New Zealand Pipfruit Industry (apples and pears) entered a new era on October 1, 2001, when after more than 50 years of single desk marketing, the industry became deregulated. After decades of rigid controls, apple and pear growers are free to sell their own fruit, and former monopoly exporter, ENZA, will have to compete with 30-40 other serious marketers. About 90 percent of New Zealand's apple crop will now be exported by 6-7 main players, with ENZA the largest exporter. The deregulation was primarily due to pressure from growers who were concerned that ENZA (with a 40 percent corporate interest) would seek to load its recent foreign exchange losses (estimated at U.S. \$24 million) on to them. MAF had also done studies looking at the advantages/disadvantages of deregulation versus maintaining the single desk export system. ENZA had also initiated two court actions against the former export regime which the NZ Government felt had the potential to disrupt marketing programs. For the past two seasons independent exporters have had to get permission to bypass ENZA from an independent export permits committee, based on a determination that their exports complemented and did not compete with ENZA. From October 1, 2001, export permits are no longer required.

In response to the deregulation, a new company, New Zealand Pipfruit Ltd., has been set up. It will be responsible for industry good activities such as research, technology transfer, and database work. A horticultural export authority, a body that assists other commodities like avocados, was proposed for apples but didn't receive sufficient support from pipfruit growers. Industry leaders still hope to build systems and agreements to protect the quality and integrity of fruit in the deregulated export market. No national apple standards or sizes are currently set but most growers still follow ENZA's approach.

Some major packhouses may take foreign exchange coverage for the 2001/02 season (as ENZA has traditionally done), but other growers will likely be exposed to the full foreign exchange risk.

Also, as a result of the deregulation, some smaller exporters are working together to charter vessels in

order to reduce costs and improve shipping logistics.

Trade

Top local brand moves into exporting

Well known New Zealand pipfruit marketing brand, 'Yummy' is going to begin exporting on its own. The company plans to export around 800,000 cartons (14,400 MT) of their own apples and pears this season (2001/02). 'Yummy' is a well recognized brand and registered worldwide. The group is headed by former ENZA executives.

South African presence in NZ apple industry

South African fruit marketer, Capespan, has confirmed a deal to export a significant volume of the New Zealand apple crop this season (2001/02) under its Cape brand. Up to one million cartons (or 18,000 MT) of braeburn and royal gala varieties are expected to be shipped to Britain and continental Europe this season, involving about 15 growers mainly from the Hawkes Bay and Nelson regions. At least 50 percent of these apples will come from the company Fresh NZ. Along with other exporters, Fresh NZ has been vigorously competing for supply with ENZA since the apple industry was deregulated on October 1, 2001.

Since the NZ apple industry was deregulated, ENZA-which formerly had a statutory monopoly on the export of most apples from NZ - and a group of other exporters have been battling to sign up fruit supplies for the coming season (2001/02) with the country's estimated 1,500 growers. British and European supermarkets have indicated they want to deal only with large category managers. Capespan is 50-percent owned by various South African shareholders with the other 50 percent owned by Fyffes, Europe's largest importer and distributor of fresh fruit and vegetables. As supermarkets overseas want a closer link to growers, greater cooperation in the future is expected between New Zealand growers, packers and exporters.